

Message Text

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ACTION NEA-10

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C O N F I D E N T I A L NEW DELHI 8266

E.O. 11652: N/A
TAGS: EAID, IN
SUBJ: BILATERAL AID TO INDIA: U.S. POSITION AT PARIS CONSORTIUM

1. DURING COURTESY CALLS ON THE HOME MINISTER, THE FINANCE MINISTER, AND THE FINANCE SECRETARY, THE AMBASSADOR BROUGHT UP THE SUBJECT OF POSSIBLE BILATERAL AID. HE SAID THE MAIN EFFORT OF THE CARTER ADMINISTRATION AT THIS TIME WAS TO SECURE PASSAGE THROUGH CONGRESS FOR ITS INCREASED CONTRIBUTIONS TO MULTILATERAL DEVELOPMENT INSTITUTIONS, INCLUDING IDA V REPLENISHMENT. WE WERE PREPARED TO DISCUSS BILATERAL AID AT ANY TIME BUT SINCE SO LARGE A PART OF INDIA'S EXTERNAL ASSISTANCE CAME FROM THE MULTILATERAL BANKS, HE ASSUMED INDIA SHARED OUR PRIORITIES IN THIS REGARD.

2. THE HOME MINISTER MADE NO COMMENT ON THE SUBJECT IN HIS RESPONSE ON GENERAL U.S.-INDIA RELATIONS. THE FINANCE MINISTER REFERRED TO THE ISSUE OF INDIA'S SHARE OF IDA FUNDS, SAID HE HAD DISCUSSED THIS ON HIS RECENT TRIP TO WASHINGTON AND AGREED THAT THE ATTITUDE TOWARD INDIA HAD CHANGED. ON BILATERAL AID, HE SAID ONLY THAT THIS QUESTION HAD NOT YET BEEN CONSIDERED BY INDIA.

3. IN HIS CALL ON THE FINANCE SECRETARY, MONMOHAN SINGH, THE AMBASSADOR MADE A SIMILAR PRESENTATION EMPHASIZING, HOWEVER, CONFIDENTIAL

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THAT THE U.S. ADMINISTRATION DID NOT WANT SIMPLY TO PRESENT A PREDETERMINED BILATERAL AID PACKAGE BUT WISHED TO BE GUIDED BY INDIA'S INTERESTS BEFORE THE ADMINISTRATION MADE ANY PRESENTATION TO THE CONGRESS. WE BELIEVED, HOWEVER, THAT IT SHOULD BE DONE IN A WAY THAT WOULD NOT JEOPARDIZE PASSAGE OF FULL IDA V REPLENISHMENT IN THE CONGRESS.

4. SINGH RESPONDED THAT THE GOI HAD REACTED VIGOROUSLY TO THE INITIAL U.S. EFFORTS TO REDUCE INDIA'S SHARE OF IDA FUNDS. HE RELATED TO THE AMBASSADOR THE NEED FOR INDIA TO HAVE CONTINUED ASSESS TO THE SAME SHARE OF IDA AND EXPRESSED CONFIDENCE THAT ANY OBJECTIVE CRITERIA WOULD SHOW INDIA WAS ENTITLED TO EVEN MORE THAN SHE WAS GETTING.

5. ON BILATERAL AID SINGH REITERATED HIS VIEWS ON THIS SUBJECT BY PLACING IT WITHIN THE CONTEXT OF THE AID-TO-INDIA CONSORTIUM. HE CALLED THE U.S. THE "CREATOR" OF THE CONSORTIUM IDEA TO MULTILATERALIZE AID TO INDIA. BECAUSE OF THE GREAT INFLUENCE THE U.S. HAD ON OTHER DONORS, HE HOPED THE U.S. WOULD TAKE A "POSITIVE" POSITION AT THE CONSORTIUM MEETING. HE SAID INDIA WOULD BE PREPARED TO DISCUSS BILATERAL AID AT THE APPROPRIATE TIME, BUT AGREED WITH THE AMBASSADOR THAT IT SHOULD BE AFTER THE IDA V PASSAGE WAS SECURE.

6. COMMENT: WE CONCLUDE FROM THESE DISCUSSIONS THAT INDIA AGREES WITH THE U.S. THAT THE PRIORITY CONCERN IS FOR IDA REPLENISHMENT. A BILATERAL PROGRAM HAS NOT YET BEEN GIVEN PRIORITY CONSIDERATION BY THE NEW INDIAN ADMINISTRATION. SINGH'S REFERENCES TO A POSITIVE ROLE BY THE U.S. IN THE CONSORTIUM, BOTH IN THESE DISCUSSIONS AND IN PREVIOUS ONES HERE AND IN WASHINGTON SUGGEST THAT IT IS OUR INFLUENCE OVER THE ACTIONS OF THE OTHER DONORS THAT IS OF MOST IMPORTANCE TO THEM.

7. WE BELIEVE THAT HERE, AS IN THEIR INTEREST IN IDA V, THE GOI HAS ITS PRIORITIES RIGHT. THE GOI SEEKS A U.S. STANCE AT THE CONSORTIUM MEETING THAT WOULD NOT DISCOURAGE THOSE COUNTRIES

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WHO WISH TO RESCHEDULE PAST LOANS FROM DOING SO, AND THAT WOULD ENCOURAGE DONORS AT LEAST TO MAINTAIN PRESENT LEVELS OF AID DESPITE INDIA'S IMPROVED ECONOMIC CONDITION. WE BELIEVE IT WOULD BE IN OUR INTEREST TO DO JUST THIS. WHILE OUR ANALYSIS OF THE INDIAN ECONOMY (NEW DELHI 8176) INDICATES THE GOI IS CONTINUING A CONSERVATIVE DEVELOPMENT STRATEGY, AT LEAST FOR THE TIME BEING, WE BELIEVE OUR BEST COURSE WOULD BE TO ENCOURAGE MORE BOLD POLICIES BY THE INDIANS WHILE ENCOURAGING THE CONSORTIUM TO PROVIDE THE MEANS TO DO SO. THIS COURSE WOULD RECOGNIZE BOTH THE FAVORABLE POLITICAL AND ECONOMIC CIRCUMSTANCES IN INDIA TODAY. IN ADDITION TO THIS U.S. STANCE, WE SUGGEST THAT WE INDICATE WE ARE PREPARED TO CONSIDER A BILATERAL PROGRAM ALONG THE LINES BEING PROPOSED BY CONGRESS AFTER DISCUSSIONS WITH THE GOI. THEREAFTER, WITH IDA V REPLENISHMENT INTACT AND THE CONSORTIUM PLEDGES COMPLETED, THE SENSITIVE ISSUE OF RESUMED U.S.-INDIA BILATERAL AID PROGRAM COULD BE DISCUSSED. COHEEN

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